

## **Top Ten Reasons NOT to Support a Medicaid Bailout**

(H.R. 5268—Frank Pallone)

1. **States Already Received a Medicaid Bailout.** In June 2008, the wartime supplemental blocked the Centers for Medicare and Medicaid Services (CMS) from issuing six regulations cracking down on state transactions designed solely to increase the percentage of Medicaid spending paid for by the federal government. Some may view the \$1.6 billion moratoria on these anti-fraud regulations as a bailout in its own right, and question why states are asking for yet more relief from the federal government.
2. **Discourages States from Fighting Fraud.** In September, New York State announced a record \$90 million settlement from one hospital related to improper and fraudulent billing practices—the third such settlement from the same hospital in a decade. Providing additional federal matching funds may provide a perverse disincentive for states not to recoup Medicaid dollars by pursuing anti-fraud cases vigorously.
3. **States Not Reforming Their Medicaid Programs.** The Kaiser Family Foundation reports that only eight states have taken advantage of language in the Deficit Reduction Act to alter their Medicaid benefit packages or introduce modest cost-sharing. Given the structural deficiencies in many state programs—fraudulent activity, long waits for specialists, and un-coordinated care—conservatives may view a “blank check” for more state Medicaid spending without new accountability or reforms as a disservice to both the federal taxpayer and the needy beneficiaries which the program is designed to serve.
4. **Rewards States for Improper Budgeting.** An Urban Institute study notes that lost revenue creates a significantly larger impact on state budgets than increased costs due to enrollment increases in programs like Medicaid. Some conservatives may therefore view a Medicaid bailout as rewarding states who failed to project revenues accurately and/or build up adequate “rainy day” reserves.
5. **Provides No Stimulus.** Because increasing the federal Medicaid match only substitutes federal spending for state dollars, even Keynesians may find it difficult to justify such a measure as providing economic “stimulus.”
6. **Medicaid Increases Private Insurance Costs.** A recent study from actuaries at the consulting firm Milliman found that low reimbursement rates for public programs including Medicare and Medicaid resulted in a 12% increase in private insurance costs, as providers charged private insurers more for their services. Some may therefore view an increase in Medicaid enrollment financed by this bailout as potentially placing additional strain on the private insurance system due to sizable cost shifting from public to private plans.
7. **Earmark for Michigan Automakers.** H.R. 5268 includes language disregarding “extraordinary employer pensions” as income. According to CMS, only one state would fall into this category—Michigan. Some conservatives may view this provision as an authorizing earmark.
8. **Flawed FMAP Formula Encourages States to Overspend.** While the Federal Medical Assistance Percentage (FMAP) matching formula was originally designed to provide greater assistance to poorer states, an independent analysis of CMS data indicates that states with *higher* concentrations of poverty actually have *lower* per-capita Medicaid spending—exactly the opposite result of FMAP’s intended goal. Some conservatives may therefore be concerned that an additional FMAP bailout will do nothing to reverse this disparity, and may exacerbate it.
9. **Medicaid Spending Only Continues to Grow.** An American Enterprise Institute study found that during the 1994-2000 boom years, Medicaid spending grew faster than both GDP and state revenues. Some conservatives may therefore question whether states were irresponsible in expanding their Medicaid programs during flush economic times, and whether the federal government should reward such behavior.
10. **Exacerbates Entitlement Shortfalls.** At a time when unfunded obligations for Medicare and Social Security exceed \$53 trillion, some conservatives may be concerned by the impact of increasing Medicaid spending—and the federal deficit—on our ability to respond to this crisis with reforms to slow the growth of health care costs.

*For more information, contact Chris Jacobs at 6-8585.*